

## CONTRACT FOR TRANSFORMATION THROUGH MERGER

Today, 31 January 2017 in Sofia between:

1. MEDICA AD, UIC: 000000993, with headquarters and address of management: Sofia, Oborishte District, 82, Knyaz Alexander Dondukov Blvd., represented by the Executive Director Stoycho Stoyanov Pangev, Personal Identification Number: 7105140207. No. 645919270, Ed. On 07.07.2015 by the Ministry of Interior - Sofia, with permanent address: Sofia, Artillery block 2B, entrance 1, ap. 50, on the one hand, hereinafter referred to as "TRANSFERABLE COMPANY", and
2. "SOPHARMA" AD, UIC: 831902088, with headquarters and address of management: Sofia, Nadezhda district, 16, Iliensko shose Str., Represented by the Executive Director Ognian Ivanov Donev, EGN :, 5712226766 with lk. 641311145, Ed. On 25.10.2010 by the Ministry of Interior - Sofia, with permanent address: Sofia, Cherni vrah Blvd. 18, ent. B, et.9, ap.33, on the other hand, hereinafter referred to as "ACCEPTANCE COMPANY",

On the grounds of Art.262e et seq. Of the Commercial Law, the present contract was drawn up and signed for the following:

### I. SUBJECT OF THE CONVENTION CONTRACT

- 1.1. The merger transformation agreement regulates the way in which the transformation by means of the merger of MEDICA AD into SOPHARMA AD, hereinafter referred to as "the merger", and the consequent consequences for the The transforming and the receiving company.
- 1.2. From the moment of entry into the Commercial Register of the merger, the rights and obligations of the Transforming Company shall be transferred to the Beneficiary Company and the shareholders of the Converting Company shall become shareholders of the Accepting Company.
- 1.3. The implementation of the merger is subject to the prior approval of the Deputy Chair of the Financial Supervision Commission in charge of the Investment Activity Supervision Division and will be completed upon receipt of this approval.

### II. LEGAL FORM, COMPANY, SINGLE IDENTIFICATION CODE AND SEATING OF THE TRANSFERABLE AND RECEIVING COMPANY

- 2.1. MEDICA AD is entered in the Commercial Register at the Registry Agency with UIC: 000000993. The company has its registered office and address: Sofia, Oborishte, 82, Knyaz Alexander Dondukov Blvd. The capital of the company amounts to 10 BGN 068 690, and has been paid in full. The capital of the company is divided into 10,068,690 ordinary registered dematerialized voting shares with a nominal value of BGN 1 (each) each. MEDICA AD is a public company within the meaning of Art. 110 and later of the Public Offering of Securities Act and is entered in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission.
- 2.2. As of 31.12.2016, a shareholder holding 5% or more of the voting shares of the capital of MEDICA AD is SOPHARMA AD, which owns 97.96% of the capital of MEDICA AD.
- 2.3. "SOFARMA" AD is entered in the Commercial Register at the Registry Agency with UIC: 831902088. The company has its registered office and business address: Sofia, Nadezhda district, 16, Iliensko shose Str. The capital of the company is 134 797 899 And has been fully paid. The

capital of the company is divided into 134 797 899 ordinary registered dematerialized voting shares with a nominal value of BGN 1 (each) each. SOPHARMA AD is a public company within the meaning of Art. 110 and later of the Public Offering of Securities Act and is entered in the register under Art. 30, para. 1, item 3 of the Financial Supervision Commission. 2.4. As of 31.12.2016, shareholders holding 5% or more of the voting shares of the capital of SOPHARMA AD are:

1. "Donev Investments Holding" AD, UIC: 831915121, Sofia, 12 Pozitano Str., holding 33 404 466 shares representing 24.78%;

2. "Telecomplect Invest" AD, UIC: 201653294, Sofia, 9 Slaveikov Square, holding 27 156 752 shares representing 20.15%;

3. "Rompharm Company" Ltd., UIC: 200732874, Sofia, bc. "Mladost", 7, "Boyan Damyanov" Str., Floor 1, Office 3, holding 24 313 355 shares representing 18.04%;

4. "ZUPP Allianz Bulgaria", UIC: 130477720, 42 Damian Gruev Str., Sofia, 6 970 395 shares representing 5.17%;

2.6. At the date of this contract, the Beneficiary owns 9,863,024 shares of the capital of the Converting Company. As of the date of this contract, the Converting Company does not own shares in the capital of the Accepting Company.

2.7. At the date of this contract, the Beneficiary owns 5 662 414 own shares. As at the date of this contract, the Converting Company does not own its own shares.

### III. THE RETURN OF REPLACEMENT OF SHARES OR SHARES DETERMINED AT A PARTICULAR DATE

3.1. As a result of the merger, all shareholders of the Converting Company, except the Accepting Company which is a shareholder in the Converting Company, will acquire shares in the capital of the Accepting Company and become shareholders therein.

3.2. The parties establish and accept the following fair price per share of each of the companies involved in the transformation as of 25.01.2017.

For Medica AD:

Method	Price	Weight
DCF	4,10	50%
NAV	2,95	25%
Peers	2,91	25%
<b>Fair value</b>		<b>3,51</b>

The registered capital of MEDICA AD amounts to BGN 10 068 690, distributed in 10 068 690 dematerialized registered voting shares with a nominal value of BGN 1 each. According to the above-calculated fair value of 1 share of MEDICA AD, the fair value of the company is BGN 3.51.

For Sopharma AD:

Method	Price	Weight
DCF	3,83	50%
NAV	3,59	25%
Peers	4,45	25%
Fair value according to the methods from art. 5, para.2 of Ordinance № 41 in BGN		<b>3,93</b>
Closing price 24.01.2017	3,369	40%
Fair value according to the methods from art. 5, para.2 of Ordinance № 41 in BGN	3,93	60%
<b>Fair value per share in BGN</b>		<b>3,70</b>

The registered capital of SOPHARMA AD amounts to BGN 134 797 899, divided into 134 797 899 dematerialized registered voting shares with a nominal value of BGN 1 each. According to the above-calculated fair value of 1 share of Sopharma AD, the fair value of the company is BGN 3.70 per share.

3.3. On the basis of the established and accepted fair prices per share of the two companies, the parties accept the following exchange ratio:

Fair value of Medica AD	3,51 лв.
Fair value of Sopharma AD	3,70 лв.
<b>Exchange coefficient</b>	<b>0,9486</b>

The equivalent value of one share of MEDICA AD is 0.9486 shares of SOPHARMA AD.

3.4. The fair value of the shares of the companies involved in the transformation is determined on the basis of generally accepted valuation methods and their description and justification of the price are contained in Appendices 1 and 2 to this contract.

3.5. On the basis of the fair price of the shares of the companies involved in the transformation, a replacement ratio of 0.9486 is formed, which means that one share of the transforming company MEDICA AD should be replaced by 0.9486 shares of the receiving company "SOPHARMA" AD. The share exchange ratio is set at 25.01.2017.

3.6. According to the aforementioned fair value of 1 share of MEDICA AD, the fair value of the company is BGN 35 341 102. According to the above-calculated fair value of 1 share of Sopharma AD, the fair value of the company is 477 241 980 As a result, the total value of the receiving company "SOPHARMA" AD after the merger increased to BGN 477 963 868.

3.7. In view of the provisions of Art. 261b of the CA, in the formation of the share exchange ratio of the Transforming Company with the shares of the Beneficiary, after the merger, the principle of equivalence is respected, such as those acquired by the Shareholders of the Converting Company shares in the Accepting Company, including the additional cash payments under Section 4 Are equivalent to the fair value of the shares held by them prior to the merger in the Transforming Company.

#### IV.SUMMARY OF CASH PAYMENTS IN ACCORDANCE WITH ARTICLE 261B OF THE TA AND THE TIME FOR PAYMENT OF THEM

4.1 Due to the mathematical impossibility of the shares of each individual shareholder in the Converting Company to be replaced by shares in the Accepting Company with a totally equivalent value, the difference to that amount will be compensated by additional cash payments in the respective amount.

4.2. The amount of the cash payment to each shareholder is determined by multiplying the number of shares held by him in the Converting Company by the accepted exchange ratio. The resulting integer is the number of shares of the receiving company that the respective shareholder receives. The difference above this integer is multiplied by the fair value of one share of the capital of the Accepting Company, the result being the amount of the due levy in BGN. This result is a cash claim of the shareholder to the Accepting Company. On the basis of the shareholders' book of the Converting Company as of 31.12.2016 the expectations of the parties under this contract are the total amount of the cash payments to the shareholders to be about 900 (nine hundred) levs. Thus, given the absolute value of the sum of Any additional cash payments, the requirement of Art. 261b, para. 2 of the Commercial Law will be respected.

4.3. The claims of the shareholders under Art. 261b, para. 2 of the Commercial Act become due from the date of entry in the Commercial Register of the Infections. The repayment will be made in cash at the Receiving Company's cash desk at address Nadezhda, 16, Iliensko shose Str.

4.4. The receivables will be paid to the shareholders of the transforming company within 5 (five) years from the date on which they became due.

4.5. The shareholders of the Converting Company, which own only one share, receive one share. The difference between the fair price per share of the Converting Company and the fair price per share of the Accepting Company is a receivable of the Accepting Company against the respective shareholder and will be offset against future dividends or other amounts owed.

#### V. DESCRIPTION OF THE SHARES WHICH EACH SHAREHOLDER ACQUIRES IN THE RECEIVING COMPANY, AND DATA ON EXISTING BETS AND LOANS

5.1. The capital of the Beneficiary Company amounts to BGN 134 797 899 divided into 134 797 899 dematerialized shares with a nominal value of BGN 1 each and will not be increased for the transformation because there is no need to issue new shares to the shareholders of The transforming company.

5.2. The receiving company holds a total of 5,662,441 own shares.

5.3. The receiving company has issued only one class of shares - ordinary, dematerialized, registered, with one vote each, kept on the registers of Central Depository AD. The Book of Shareholders of the Accepting Company is kept by "Central Depository" AD.

5.4. As a result of the merger, all shareholders of the Converting Company without SOPHARMA AD will acquire shares in the capital of the Accepting Company and become shareholders in it.

#### VI. CONDITIONS RELATING TO THE DISTRIBUTION AND TRANSFER OF SHARES BY THE RECEIVING COMPANY

6.1. As the shareholders of the Converting Company have to receive dematerialized shares, the Board of Directors of the Beneficiary Company must declare to the Central Depository the transfer of shares already issued to the Accepting Company to the Shareholders of the

Transforming Company. Following the entry of the merger, the Central Depository records the transfer of the shares.

6.2. Shares already issued are dematerialized, so physical shares will not be handed over. Each shareholder may request to receive a depository receipt for the shares held by him through an investment intermediary - a member of the Central Depository.

## VII. THE PERIOD FROM WHICH PARTICIPATION IN A RECEIVING COMPANY SHALL GIVE RIGHT TO A SHARE OF PROFIT, AND ALL FEATURES IN RELATION TO THAT RIGHT

7. From the date of the entry into the Commercial Register of the merger, the shareholders of the Converting Company acquire all the rights that the Act or the Articles of Association grant to the Shareholders of the Accepting Company, including the right to participate in the distribution of profits.

## VIII. THE MOMENT FROM WHICH THE ACT OF THE CONVERSION COMPANY IS CONSIDERED TO BE CARRIED OUT FOR ACCEPTANCE ACCOUNT FOR THE ACCOUNTING OBJECTIVES

8.1. From 01.01.2017, the actions of the Transforming Company are considered to be carried out at the expense of the receiving company for the purposes of accounting.

8.2. A description of the immovable property that passes from the Transforming Company to the Beneficiary as a result of the merger is contained in Appendix 3 to this contract.

## IX. THE RIGHTS RECEIVED BY SHAREHOLDERS WITH SPECIAL RIGHTS AND HOLDERS OF SECURITY BOOKS NOT HAVING SHARES

9.1. In the Transforming Company and in the Accepting Company there are no shareholders holding special rights related to their shares and no rights in the meaning of Art. 262g, para. 2, item 8 of the CC that they receive, as well as no other measures other than those stipulated in Art. 262g, para. 2, item 8 of the Commercial Code.

9.2. The transforming company and the accepting company have not issued any securities other than shares.

## X. PROVISIONS GRANTED TO THE VERIFIERS REFERRED TO IN ARTICLE 1 262L OF THE COMMERCIAL LAW OR OF THE MEMBERS OF THE MANAGING OR CONTROLLING BODIES OF THE TRANSFERRING COMPANY AND THE RECEIVING COMPANY.

10.1. No advantages are granted to the verifiers under Art. 262l of the Commercial Law.

10.2. No advantages are granted to the members of the management and supervisory bodies of the companies involved in the transformation.

## XI. ENTRY INTO FORCE, MODIFICATION AND TERMINATION OF THE TREATY

11.1. The Transformation Agreement shall enter into force and shall have effect from the moment of its conclusion for the Transforming and Accepting Companies.

11.2. The contract may be amended or supplemented only by mutual consent of the Parties.

11.3. This Agreement may be terminated before the date of entry into the Commercial Register of the merger in the following cases:

(A) by mutual written agreement of the parties prior to the votes of the General Meeting of Shareholders of the Transferee and the Beneficiary of their decisions approving this Contract;

B) If the Deputy Chairperson of the Financial Supervision Commission in charge of the Investment Activity Supervision Division has refused to grant the approval of the registration the merger and the refusal has become final.

C) If the General Meeting of Shareholders of the Transforming Company or the General Meeting of the Shareholders of the Beneficiary does not approve this contract.

D) If the Commercial Register has refused to record the merger and the denial of the Commercial Register has become final.

## XII. FINAL PROVISIONS

12.1. According to Art. 262, para. 4 of the Commercial Code, each Party will notify the other Party of changes in its property rights and obligations that have occurred since the date of this Agreement. The notification referred to in the preceding sentence shall be made no later than the date preceding the date on which the Party to whom the message is intended has convened its General Assembly for decision on the merger.

12.2. Disputes between the parties regarding the existence and operation of the contract or its breach, including disputes and disagreements regarding the validity, interpretation, termination, performance and non-performance of the contract, shall be settled by mutual agreement. If no agreement is reached, the dispute shall be referred to the competent Sofia court for judgment.

12.3. The provisions of the CA, POSA and the other legislation in force in the Republic of Bulgaria apply to the issues not settled in this contract.

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**Stoycho Pangev**  
**for Medica AD**

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**Ognian Donev**  
**for Sopharma AD**